



SHEPP

SASKATCHEWAN HEALTHCARE
EMPLOYEES' PENSION PLAN

*Getting better -
growing stronger*

2005 Annual Report



What's inside:

Messages	2
Profile	4
Management's Responsibility for Financial Reporting	6
2005 Financial Highlights	7
Member Services	10
Fund Performance	13
SHEPP Directory	15



Andrew Huculak, Chair Jim Tomkins, Vice-Chair

Message from the Chair and Vice-Chair

We are pleased to present you with the *2005 Annual Report* of the Saskatchewan Healthcare Employees' Pension Plan (SHEPP). Although the pension plan has operated for over forty years, 2005 marked the third year it has been governed by a joint Board of Trustees made up of an equal number of employee and employer representatives. Since then, we have established a governance and operational framework that is comprehensive and of the highest standard. We intend to ensure that the plan continues to deliver on its pension promise to members, and that it does so in a cost-effective manner.

That framework required that we articulate a strategic plan for the organization and develop a clear mission statement. We accomplished both in 2005. These initiatives set out our goals for the future and describe how we plan to achieve them to provide quality services to our members and participating employers.

With a fund rate of return of 12.1% in 2005, the SHEPP trust fund exceeded its benchmark and enjoyed double-digit growth for the third consecutive year. Through a diversified investment portfolio of Canadian, US and foreign equities, bonds and real estate, the fund grew to over \$2.5 billion in assets at the end of the year.

Our efforts to manage the plan's unfunded liability have also been successful. As we said we were going to do in last year's report, we hired an actuary to assess the financial health of the plan as of the end of 2004. The results were positive. Not only has the unfunded liability shrunk as a percentage of assets, but we remain on course to have it completely eliminated before the legislated deadline. That means our contribution rates will stay at current levels for now.

Finally, we dealt with a number of strategic, governance and risk management issues related to the investment and operation of the plan. We are confident that the decisions we made in these areas will help us improve our overall performance and ensure SHEPP is well positioned to meet the challenges that lie ahead.

We would like to thank our fellow Trustees for their steadfast commitment and dedication, and the SHEPP staff for their advice and guidance during the year.

Andrew Huculak
Chair

Jim Tomkins
Vice-Chair

Message from the General Manager

2005 was the first full year of operation of our new pension administration system. The system provides us with the necessary tools to effectively administer the pension plan for over 40,000 current and former healthcare employees from 70 participating employers. Future enhancements are in progress that will improve our reporting capabilities and provide members with an online capability to calculate their own estimated pensions under various scenarios.

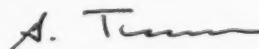
With the support of the Board of Trustees, some of our accomplishments were:

- Implemented a 50% hedge ratio for US and non-North American equities. This risk management strategy will reduce the effects of foreign currency movements against the Canadian dollar.
- Adjusted the US equity mandate to increase returns and control risk.
- Developed and implemented a number of governance and operating policies and procedures, a strategic plan, and mission, vision and values statements.
- Completed an actuarial valuation of the plan to determine its funding status.
- Confirmed the 5% allocation to real estate investments and hired a competent external manager to implement this mandate.
- Implemented procedures to manage the payment of pension benefits and collection of contributions internally rather than using external service providers. This change resulted in better service and reduced administration costs.

- Introduced a newsletter for employers to keep them abreast of the latest developments and assist them in their administrative efforts and enhanced our website to better communicate information about the plan.
- Conducted an online survey so employees and employers could provide feedback on SHEPP. This information will be used to improve services in the future.

In addition, we continued to deliver regular pension seminars for employees and employers in various locations throughout the province, produced the annual statements for employees, produced newsletters for employees and pensioners and handled countless enquires regarding the retirement, termination and death benefits in the plan.

I would like to sincerely thank the SHEPP staff for their hard work and dedication and the Board of Trustees for their support throughout the year. We are here to serve you and provide you with the necessary information to understand your pension plan so you are better able to make informed decisions about your benefit entitlement.



Garry Tramer
General Manager



Garry Tramer,
General Manager

Our Mission

To administer the pension plan in the best interests of our members through good governance, prudent investment and in a responsible and caring manner to ensure members receive the benefits they have been promised and the service they deserve.

Our Vision

SHEPP contributes to a better retirement future for its members through its competitive benefits and commitment to quality, innovation and cost-effectiveness.

Our Values

*Openness and Accountability
Integrity, Trust and Respect
Professionalism,
Leadership and Service
Excellence, Initiative and
Innovation*

Profile

About us

The Saskatchewan Healthcare Employees' Pension Plan (SHEPP) is the largest defined benefit pension plan in Saskatchewan, with over \$2.5 billion in assets.

Originally established in 1962 for Saskatchewan hospital employees, the plan has grown to become the pension plan for over 40,000 current and former healthcare workers in the province.

With its competitive pension formula, enriched early retirement and bridge benefits, portability and transfer features, the plan forms the foundation for financial security for members at retirement.

Board of trustees

In 2002, the Saskatchewan Association of Health Organizations (SAHO) and six healthcare unions agreed to jointly trustee the plan and an independent board of trustees was set up to govern the plan.

The Board is made up of four employer appointed and four employee appointed trustees. SAHO appoints the employer trustees and the four largest healthcare unions each appoint one employee trustee:

Canadian Union of Public Employees
Service Employees International Union
Saskatchewan Union of Nurses
Health Sciences Association of Saskatchewan

Partner committees

Plan design issues, such as benefit and contribution levels, are negotiated by two partner committees representing employers and employees.

SAHO appoints representatives to the employer committee, and six healthcare unions appoint representatives to the employee committee:

Canadian Union of Public Employees
Service Employees International Union
Saskatchewan Union of Nurses
Health Sciences Association of Saskatchewan
Saskatchewan Government and General Employees Union
Retail, Wholesale and Department Store Union

SHEPP employees

Under the oversight of the Board of Trustees, SHEPP's 16 employees are responsible for the day-to-day operation of the plan.

SHEPP employers

A total of 70 healthcare employers in Saskatchewan participate in SHEPP on behalf of their employees.

All Nations Healing Hospital
Alzheimer Society of Saskatchewan Inc.
Bethany Pioneer Village
Birch Manor
Border-Line Housing Co. (1975) Inc.
Creighton Alcohol and Drug Abuse Council
Cupar & District Nursing Home
Cypress Health Region
Deer Park Villa Inc.
Dr. Noble Irwin Healthcare Foundation Inc.
Eaglestone Lodge - Personal Care Home Inc.
Eatonia Oasis Living Inc.
Elmwood Residences Inc.
Extendicare Moose Jaw
Extendicare Saskatoon
Extendicare Regina
Five Hills Health Region
Foyer Saint Joseph Nursing Home
George Bailey Counselling Centre
Gull Lake & District Road Ambulance Board
Haven of Hope Home
Heartland Health Region
Herbert Group Home
Herbert Nursing Home Inc.
Ina Grafton Gage Home
Keewatin Yatthe Regional Health Authority
Kelsey Trail Health Region
Langham Senior Citizen's Home
Lumsden & District Heritage Home
LutherCare Communities
Mamawetan Churchill River Health Authority
Metis Addictions Council of Saskatchewan
Mont St. Joseph Inc.
Moose Jaw Alcohol & Drug Abuse Society
Moose Jaw Health Foundation

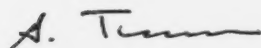
North Sask. Laundry & Support Services Ltd.
Oak Trees & Acorns Child Care Centre Inc.
Pine Island Out-patient Centre
Pioneers Haven Co. Inc.
Prairie North Regional Health Authority
Prince Albert Council on Alcohol & Drug Abuse
Prince Albert Parkland Health Region
Providence Place for Holistic Health
Qu'Appelle House
Radville Marian Health Centre
Regina Lutheran Home
Regina Pioneer Village Ltd.
Regina Qu'Appelle Regional Health Authority
Regina Recovery Homes Inc.
Registered Psychiatric Nurses Assoc. of Sask.
Saint Joseph's Health Centre
Saint Joseph's Home
Saint Joseph's Hospital, Estevan
Saint Joseph's Hospital, Gravelbourg
Saint Joseph's Hospital, Ile a La Crosse
Salvation Army William Booth Special Care Home
Santa Maria Senior Citizens Home Inc.
Sask. Voice of People with Disabilities Inc.
Sask. Association of Health Organizations
Sask. Assoc. of Licensed Practical Nurses
Saskatchewan Cancer Agency
Sask. Healthcare Employees' Pension Plan
Sask. Society of Medical Laboratory Technologists Inc.
Saskatoon Housing Coalition
Saskatoon Health Region
Spadina Childcare Co-operative
Sun Country Health Region
Sunrise Health Region
The Health Foundation of East Central Sask.
Villa Pascal

Management's Responsibility for Financial Reporting

The SHEPP financial statements and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include some amounts that are necessarily based on management's best estimates and judgments. Financial and operating information presented in the Annual Report are consistent with the financial statements. Systems of internal control and practices are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

Deloitte & Touche LLP, the external auditor appointed by the Board of Trustees, has conducted an independent examination of the financial statements in accordance with generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express an opinion in the Auditors' Report. The external auditor has unrestricted access to management and the Board of Trustees to discuss any findings related to the integrity of the plan's financial reporting and adequacy of the internal control systems.



Garry Tramer
General Manager

Financial Highlights

Statement of Net Assets

	2005 (000's)	2004 (As restated 000's)
Assets		
Investments, at market value	\$ 2,536,051	\$ 2,231,171
Accrued interest receivable	2,188	1,224
Members' contributions receivable	5,193	5,376
Employers' contributions receivable	5,816	6,021
Dividends receivable	981	635
Securities transactions receivable	9,969	3,684
Capital assets	2,231	2,130
Other receivables	122	26
Prepaid expenses	66	54
	2,562,617	2,250,321
Liabilities		
Accounts payable	1,560	1,678
License Fee payable	450	582
Provision for accrued pension benefits	2,469,630	2,281,762
	2,471,640	2,284,022
Net Assets	\$ 90,977	\$ (33,701)

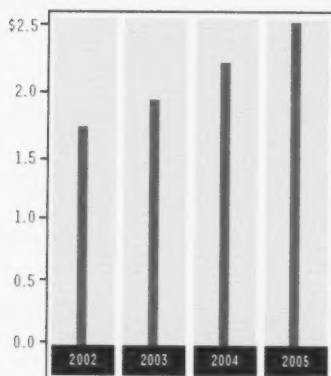
If you would like to receive a copy of SHEPP's 2005 audited financial statements, please contact sheppinfo@shepp.ca.

Statement of Changes in Net Assets

	2005 (000's)	2004 (As restated 000's)
Increase in Net Assets		
Contributions - Members	\$ 59,542	\$ 59,891
Contributions - Employers	66,686	67,078
Contributions - Other	2,830	2,853
Investment income	66,286	53,397
Net realized gain on investments	119,136	127,184
Realized gain on foreign exchange	20,212	-
	334,692	310,403
Decrease in Net Assets		
Pension benefits	66,189	59,938
Terminations and death benefits	15,257	11,531
Change in provision for accrued pension benefits	187,868	190,583
Realized loss on foreign exchange	-	1,123
	269,314	263,175
Expenses		
Administrative expenses	1,921	1,485
Consulting fees	212	187
Professional fees	334	144
Fund management fees	5,520	5,172
Custodian fees	201	391
Investment counseling fees	117	81
	8,305	7,460
	277,619	270,635
Unrealized Gains (Losses)		
Unrealized market value gain	69,262	36,406
Unrealized loss on foreign exchange	(1,657)	(4,603)
	67,605	31,803
Net Increase in Net Assets	124,678	71,571
Net Assets, Beginning of Year - as previously reported	2,248,061	1,985,907
Accounting change	(2,281,762)	(2,091,179)
As restated	(33,701)	(105,272)
Net Assets, End of Year	\$ 90,977	\$ (33,701)

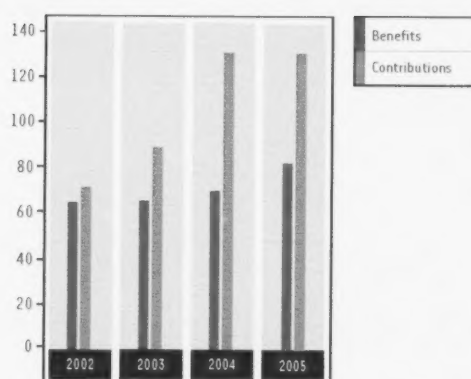
Net Assets (prior to provision for accrued pension benefits)

(in billions)



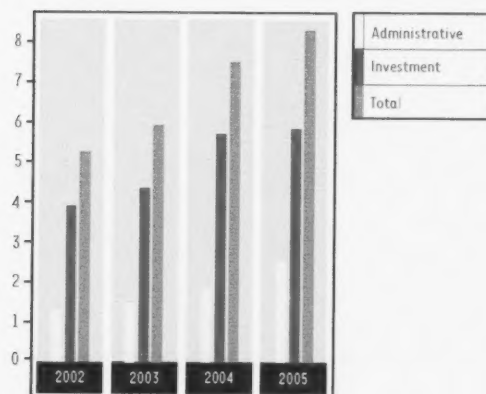
Benefits and contributions

(in millions)

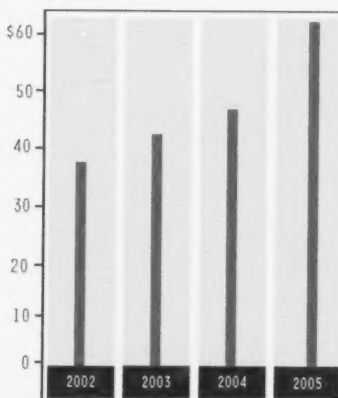


Administrative expenses, investment expenses, and total expenses

(in millions)



Administrative cost per member



Net assets available for benefits increased by 13.9% to \$2.5 billion in 2005.

Employee and employer contributions to the Plan were \$129.1 million in 2005.

A total of \$81.4 million was paid out in pension, termination and death benefits during the year, a 14% increase over the previous year.

In 2005, the cost of providing services to plan members was \$62 per member. Even though this was an increase over the previous year, it still compares favourably with the costs for other major pension plans that benchmark costs. SHEPP is committed to administering the plan in a cost effective manner.

Did you know?

Personal statements were mailed to 29,600 members in June 2005.

In 2005, our website received 45,015 requests for information.

Member Services

We provide a number of services to members throughout their entire membership in the plan. Whether they are receiving pension benefits, thinking about retirement or new members to the plan, our goal is to provide the highest quality of service.

This means friendly, timely and accurate service designed to keep them informed and provide them with the personalized information they need to make educated retirement decisions.

Customer service

We provide friendly and efficient customer service in person, by phone, fax, regular mail and email. In 2005, we handled:

- over 10,000 telephone calls
- 2,600 letter, fax and email inquiries
- 150 personal consultations
- 40 pension presentations at employer sites
- 3,700 pension estimates
- 800 prior service purchase calculations and portability and transfer information statements
- 2,300 benefit and options statements

Personalized information

Annually, members receive personal statements of their SHEPP benefits, contributions and service. The statements use a friendly format to help members better understand the key features of their SHEPP benefits.

Print and online materials

We publish a full range of printed materials relating to the plan. Chief among those is the plan booklet, which explains the plan and its benefits.

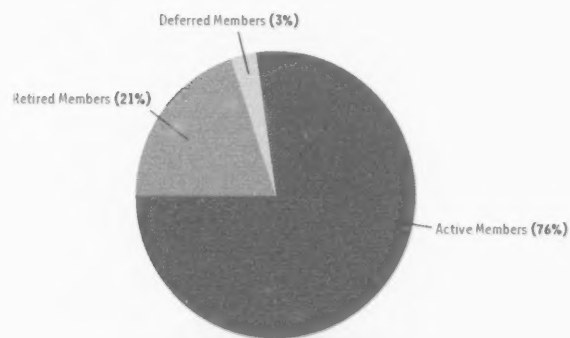
Information sheets on beneficiary designations and powers of attorney are available, and information sheets on other topics are planned for the future.

Our website at shepp.ca provides a wealth of information on everything from governance to investments, as well as links to other sites. Interactive features, including a pension calculator, will be added in the near future.

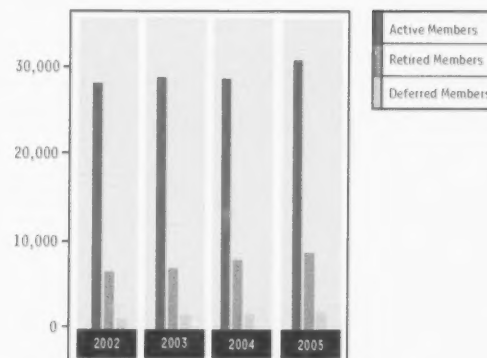
SHEPP serves over 40,000 members:

- 30,414 active members (including members in receipt of disability benefits who continue to earn pensionable service and build their pensions)
- 8,388 retired members, surviving spouses and beneficiaries
- 1,344 deferred members, or former members who left their funds in SHEPP to collect a pension at retirement

Our Membership



Historical Profile



*From humble beginnings ...
SHEPP started out in 1962
with 300 members.*

*SHEPP welcomed 1,725 new
members in 2005.*

*About 90% of members are
women.*

*43% of members work less
than full time.*

*The average active plan
member is 45 years old.*

*Members in receipt of
disability benefits continue
to earn credited service even
though no contributions are
made to the plan.*

During the next 10 years, 10,968 members will be eligible to start receiving an unreduced pension.

The average new lifetime pension in 2005 was \$955 per month. In addition, the average new bridge benefit was \$178 per month for members who met the rule of 80 (age plus service).

Contributions and benefits

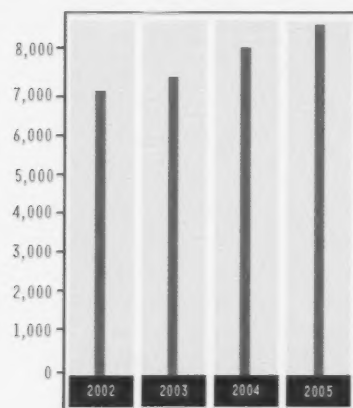
In 2005, we collected \$129 million in contributions from members and employers.

During the year, a total of \$66 million in pension benefits, and \$15 million in termination and death benefits were paid out of the plan.

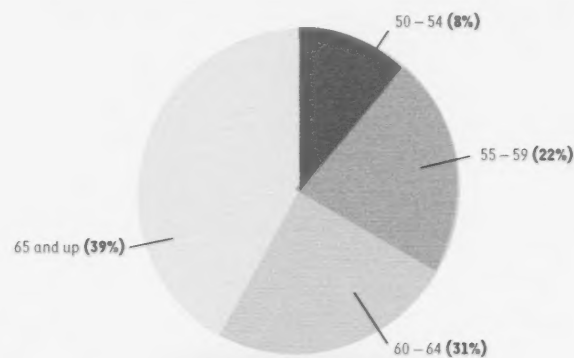
Retired members, spouses and beneficiaries

In 2005, we provided accurate and timely pension payments to 8,388 retired members, including 624 newly retired members.

Number of Retired Members



Age of new retired members



Fund Performance

How the fund is invested

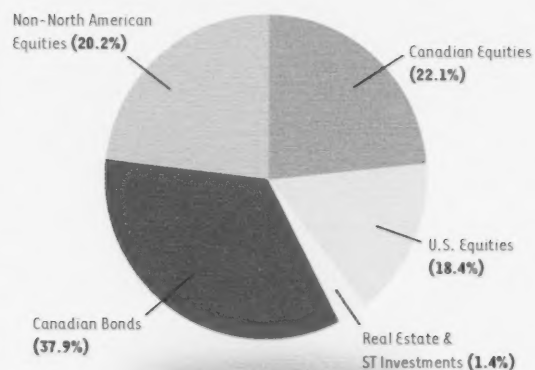
SHEPP's assets are invested in accordance with the Board of Trustees' investment philosophy and objectives, which are set out in its Statement of Investment Policies and Procedures.

The Board's goal is to ensure there will be sufficient funds available to pay the benefits promised under the plan. Its investment philosophy is one of prudence, with a view to earning the best possible returns within an acceptable level of risk.

What the fund is invested in

The following charts show the fund's investments by asset class.

Asset mix



Historical asset mix (%)

	2002	2003	2004	2005
Canadian Equities	22.8	21.5	22.3	22.1
Non-North American Equities	14.3	20.8	20.8	20.2
U.S. Equities	16.5	19.1	17.7	18.4
Real Estate	0.4	0.2	0.2	0.2
Canadian Bonds	42.6	37.3	35.1	37.9
Short-Term Investments	3.4	1.1	3.9	1.2
	100	100	100	100

If you are interested in receiving a copy of SHEPP's Statement of Investment Policies and Procedures, please visit our website or contact sheppinfo@shepp.ca

SHEPP's target asset mix is about 60% equities, 35% fixed-income and 5% real estate.

In 2005, the fund achieved an investment return of 12.1%, beating its benchmark by 0.7%.

At the end of 2005, SHEPP ranked 61st largest pension plan in Canada by asset size.

Investment expenses consist of fund manager, consultant and custodian fees. In 2005, the total cost of these services were about 0.25% of assets.

2005 Investment Performance

The investment objectives for the fund's performance over the long term are to outperform the benchmark set for the fund and for each asset class. The benchmarks reflect the performance of the markets in which the fund is invested.

In 2005, the fund achieved a 12.1% return, exceeding its benchmark of 11.4% and generating \$273.2 million in investment income and realized and unrealized gains on investments. This includes about \$16 million in additional value created by beating the benchmark by 0.7%.

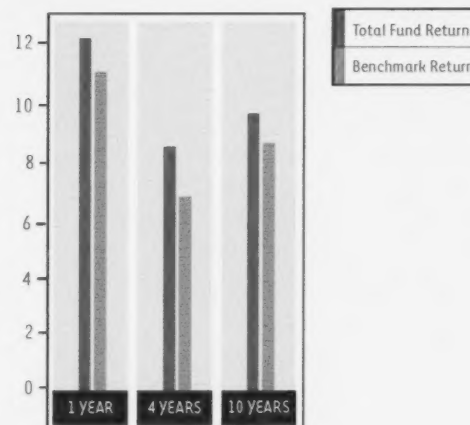
On a four-year basis, the fund generated an annualized rate of return of 8.3%. This return includes three years of double digit returns following one year of negative returns. The benchmark for this same period was 7.2%.

On a ten-year basis, the fund has realized a 9.5% annualized return, versus the benchmark return of 8.6%.

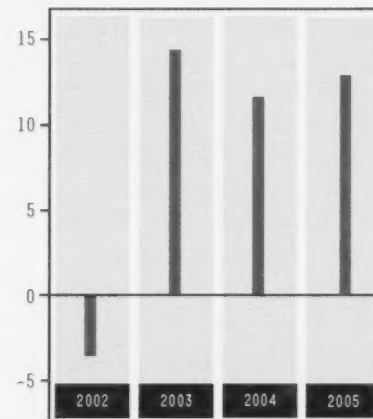
Total fund return (%)

	2004	2005
Annual return	10.6	12.1
Annual benchmark	9.1	11.4
Four year annualized return	5.2	8.3
Four year annualized benchmark	4.0	7.2

Total fund vs. benchmark return (%)



Historical total fund return (%)



SHEPP Directory

Administration

General Manager

Garry Tramer

External Advisors and Agents

Actuary

Aon Consulting

Auditor

Deloitte & Touche LLP

Custodian

CIBC Mellon Global Securities Services

Legal Counsel

Balfour Moss LLP

Pension Administration System Supply & Support

James Evans & Associates

Cronus Technologies

Investment Advisor

James P. Marshall (a Hewitt Company)

Performance Measurement Service

API Asset Performance

Investment Managers

Greystone Managed Investments

TD Asset Management

Montrusco Bolton Investments

Bissett Investment Management

Barclays Global Investors

Phillips, Hager & North Investment Management

Franklin Templeton Investments

JL Kaplan Associates

JP Morgan Asset Management

Bentall Investment Management

2005 Board of Trustees

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Andrew Huculak

National Representative,
Canadian Union of Public Employees

Vice-Chair

Jim Tomkins

Professor of Mathematics and
Statistics, University of Regina

Trustees

Muriel Morhart

Staff Representative,
Service Employees International
Union

Kay Robertson

Lawyer

Marg Romanow

Benefits Officer,
Saskatchewan Union of Nurses

Joe Rybinski

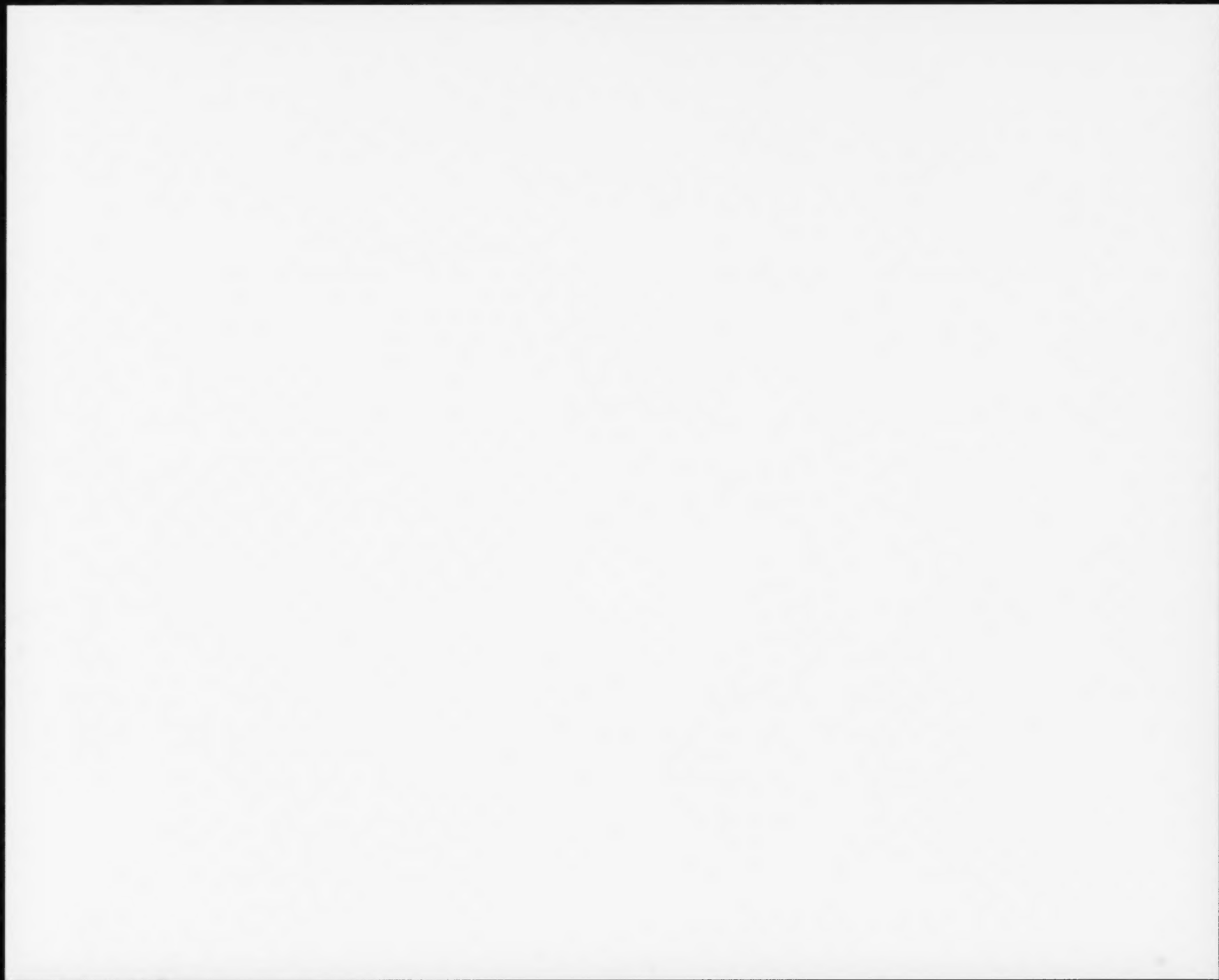
Vice-President Human Resources,
Kelsey Trail Regional Health
Authority

Tim Slattery

Executive Director,
Health Sciences Association of
Saskatchewan

Trent Szabo

Director of Payroll & Benefits,
Sunrise Health Region



We welcome your comments and suggestions
on this annual report.

Contact us at:

Phone 306.751.8300 (in Regina)

Toll free 1.866.394.4440

Email sheppinfo@shepp.ca



SHEPP

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